

MINUTES
July 11, 2002

Seattle City Employees' Retirement System
Regular Board Meeting

Thursday, July 11, 2002 - 9:30 a.m.
Seattle Metropolitan Credit Union
Conference Room – 3rd Floor

Present: Jan Drago, Lou Walter, Mary Norris and Frank Mathews.

Absent: Dwight Dively, Norma McKinney and John Curtin.

Also Present: Ed Kidd – ARSCE, Ken Leask – ARSCE, Eddie Haw – ARSCE, Russ Teller – ARSCE, Walt North – ARSCE, Kirk Jones – ARSCE, Bill Farrell – ARSCE, Barbara Guptill – ARSCE, Roger Howeler – ARSCE, Jim Fletcher – ARSCE/RCLEA, Bud Eickstadt – ARSCE, Jerry Sisson – ARSCE, Andy Dale – Buerk Craig Victor, Susan Brown – City Clerk, Ed Mast – Palestine Solidarity Committee, Linda Bevis – Palestine Solidarity Committee, Carla Curio – Palestine Solidarity Committee/Women In Black, Ezra Mark – Palestine Solidarity Committee, Haithem EL-Zabri – American Arab Anti Discrimination Committee, Tom Swenson-Healey, Dan Bryout, Mel Robertson and Norm Ruggles.

Jan commented that she felt the NCPERS conference was very informative. She said that new Board members should be encouraged to attend. Jan thanked Jim Fletcher for his service on the Board and welcomed Mary Norris to the Board. Jan also thanked Barbara Guptill for her contributions while serving as president of ARSCE.

Susan Brown from the City Clerk's Office administered an oath and performed the ceremonial swearing in of Mary Norris as the newest member of the Board.

Public Comment: Ed Mast of the Palestine Solidarity Committee made a brief presentation to the Board about the situation between Israel and the Palestinians, and asked the System to divest itself of investments in companies that sell equipment to the Israeli military. Linda Beavis then spoke of the effects of Israeli occupation. Tom Swenson-Healey, a Seattle resident, reviewed the history of activists and past calls for divestiture in South Africa. He also said the City can help pressure others, including the U.S. and Israeli governments. Haithem EL-Zabri named several companies that provide equipment to the Israeli military, including: General Electric, United Technologies, Boeing, Caterpillar and General Dynamics. Ed Mast summarized by acknowledging the fiduciary obligations of the Board and suggested that to help rectify legal and moral wrongs of Israel, the System should take action.

Norm reviewed the obligations of the System according to Seattle Municipal Code Chapter 4.36 stating that the Fund is to be used for the exclusive benefit of the members and beneficiaries, and the Board has a fiduciary responsibility to invest for the benefit of the members. He also stated that most of the funds of the System are invested by outside managers who have contracts to perform specific services. Norm then mentioned that the investment process is to be one that would be employed by a prudent investor as defined in Revised Code of Washington Chapter 35.39.

The Board thanked the Committee for presenting their comments supporting the Palestinian people, after which, the Committee left the meeting.

Eddie Haw suggested the Board not take a side in this matter. He then commented about his concern that an improved COLA for retirees might be rescinded after it becomes effective. Norm said it is his belief that the COLA will be permanent once it becomes effective, but he said he would check into this for further assurance.

Jack Herold asked the Board about the effect on the funding status of the System by the Option “G” payouts. Norm commented that the actuaries have represented that these payouts are actuarial reductions of the retirement benefit and have no effect on the funding status of the System. The actuaries have stated that each retirement option, including Option “G”, is actuarially equivalent to the others. Jack also commented on the cash flow of the Fund with benefit payments exceeding contributions.

Minutes:

Upon motion by Frank Mathews, seconded by Mary Norris, the Retirement Board approved the minutes from the June 6, 2002 Retirement Board meeting.

Ratification of Retired Payroll, Office Payroll, other Billings and Withdrawals:

Information: The following items represent normal expenses and nothing extraordinary.

| | |
|--|------------------------|
| Service | \$ 4,660,576.50 |
| Disability | 53,939.68 |
| Beneficiary | 585,616.08 |
| Pension Payroll – June 2002 | \$ 5,300,132.26 |
| Office Payroll - pay period ending June 4, 2002 | \$ 21,172.24 |
| Office Payroll - pay period ending June 18, 2002 | \$ 21,351.06 |
| Vouchers Processed - from May 28, 2002 through July 1, 2002 | \$ 471,654.98 * |
| * \$ 405,701.92 Expert and Consultant Services | |

Upon motion by Frank Mathews, seconded by Lou Walter, the Board ratified the Retired Payroll, Office Payroll, other Billings and Withdrawals.

Immediate Withdrawal of Contributions

| <u>Member</u> | <u>Department</u> | <u>Position</u> |
|--------------------------|--------------------------|--------------------------|
| Anderson,Tobitha M | Library | Page |
| Battersby, Julie Ann | DCLU | Housing Ordinance |
| Blesie, Katherine F | Police | Dispatcher II |
| Burlingame,David L | Library | Library Associate II |
| Cairn,Julie Hutchins | Seattle Center | Water Utility Eng Sr |
| Calhoun,Joel T | Parks | Mgmt System Analyst |
| Carriere, Beauty L. | Light | Meter Reader |
| Codling, Allen B | Police | School Crossing Guard |
| Cook,Carey | Library | Exec Assistant |
| Dalichau,Jason D | Seattle Center | Utility Laborer |
| Davis,Jimmie L | SEATRAN | Laborer |
| Dunton,Peter C | Fleets | Auto Mechanic |
| Hart,Erma | Police | Admin Spec II |
| Hood,Laveatra D | TES | Utility Acct Rep Trainee |
| Jowell,Stephen H | SPU | Water Treatment Operator |
| Jung,Daniel S | Neighborhoods | Complaint Investigator |
| Kaufusi,Talaumote EMOA M | SPU | Admin Spec I |

| | | |
|----------------------------|----------------|---------------------------|
| Korda, Sebastian R | Light | Info Tech |
| Leinweber, Stephen W | City Light | Energy Mgmt Analyst |
| Lindell, Gary R | Police | Util Laborer |
| Lindsey, David R | Seattle Center | Customer Service Rep Sr |
| Madayag, Jeannette Eusebio | Light | Admin Spec II |
| McIntyre, Oliver | Park | Zoo Comp Coord |
| Nguyen, Hien Thi | Muni Court | Probation Counselor |
| O'Sullivan, Joan | Mayors Office | Receptionist |
| Ono, Glenn K | SPU | Civil Engineering Spec Sr |
| Parker, Deirdre D | Seattle Center | Laborer |
| Petersen, Gregory Jerome | ESD | Strategic Advisor 2 |
| Powers, James Richard | TES | Mgmt System Analyst |
| Prepotente Jr, Jose O | ESD | Bldg Operating Engr |
| Scharf, Laura Marie | Parks | Capital Project Coord Sr |
| Tsao, Jessica C | Light | Engineer |
| Ward, Demelza N | Parks | Asst Aquatic Center Coord |
| Wells, Denise Gayle | Finance | Admin Staff Asst |
| Westergaard, Donna Bell | TES | Admin Spec I |
| Williams, Theodore A | Library | Custodian |
| Woodson, Furman W | SPO | Admin Spec II |

Ratification of Service Retirements:

Information: The following list represents the retirements that have been processed since the last Retirement Board meeting.

| <u>Member</u> | <u>Retired</u> | <u>Years</u> | <u>Days</u> | <u>Department</u> | <u>Position</u> | <u>Age</u> | <u>Option</u> |
|-----------------------|----------------|--------------|-------------|-------------------|---------------------------|------------|---------------|
| Burkett, Gary L. | 06/05/2002 | 13 | 68 | ESD | Auto Mechanic | 62 | D |
| Bustillo, Romeo A. | 06/04/2002 | 23 | 333 | SPU | Pump Station Helper | 62 | S,G-100 |
| Canavan, Robert A. | 06/04/2002 | 23 | 364 | City Light | Hydro Electric Operator 2 | 53 | E |
| Carlson, Abby | 04/18/2002 | 2 | 287 | Dual Member | Vested | 54 | E |
| Curtin II, John J. | 05/18/2002 | 33 | 131 | SPU | Civil Engineer | 58 | C20,F |
| Gager, Larry D. | 05/16/2002 | 24 | 158 | Dual Member | Vested | 60 | S,F |
| Gates, Alice P. | 05/23/2002 | 9 | 39 | Dual Member | Vested | 65 | C20 |
| Gourdine, Miriam | 06/04/2002 | 23 | 23 | SEATRAN | Personnel Specialist | 64 | B |
| Hanna, Barbara A. | 06/05/2002 | 7 | 316 | Muni Courts | Probation Counselor 1 | 71 | D |
| Jans, Raymond D. | 06/06/2002 | 19 | 5 | City Light | Material Supplier | 54 | I |
| Kaufman, James C. | 05/07/2002 | 39 | 318 | Metro Transit | Base Chief | 61 | C10 |
| Mahar, Wanda L. | 06/04/2002 | 34 | 225 | SPU | Accounting Tech III | 54 | S,F |
| Matthias, Joe S. | 06/05/2002 | 33 | 88 | City Light | Line Chief - Crew Chief | 54 | C20 |
| Maxwell, William R. | 06/04/2002 | 32 | 108 | City Light | Journey Worker in Charge | 51 | E,F |
| McGilton, Joan | 05/03/2002 | 11 | 199 | Parks | Planning Supervisor | 64 | S,G-100 |
| Roberts III, Clyde R. | 06/04/2002 | 29 | 158 | Police | Photographer | 57 | B |
| Shimizu, Satoshi | 06/05/2002 | 41 | 1 | SPU | Meter Reader Supervisor | 62 | E |
| Simmons, JoAnn C. | 06/05/2002 | 28 | 123 | City Light | Elec Con Wkg CC - Coord | 56 | C5 |
| Ward, Leslie M. | 06/06/2002 | 13 | 23 | City Light | Meter Reader | 43 | I |

Upon motion by Lou Walter, seconded by Mary Norris, the Retirement Board approved the service retirements listed above, pending final review.

Ratification of Investment Transactions and Statement of Securities and Cash:

Upon motion by Lou Walter, seconded by Frank Mathews, the Retirement Board approved the Investment Summary report.

In response to a question raised at the last meeting, Mel reported that the estimated funding ratio he compiled as of January 1, 2002 was 86.71%, while the actual ratio determined by Milliman was very close at 87.5%.

Investment Committee Report:

It was announced that the Investment Committee is scheduled to meet at 8:30 a.m. on Thursday, July 25, 2002 and will be interviewing three real estate firms and one private equity firm.

Norm recommended that Lou Walter be appointed to the Investment Committee to replace Jim Fletcher whose term on the Board expired in June. Norm also asked the Board to consider appointing Jim Fletcher to serve as an alternate on the Investment Committee with the ability to vote in the absence of either Frank Mathews or Lou Walter.

Motion: Upon motion by Frank Mathews, seconded by Jan Drago, the Retirement Board approved the appointment of Lou Walter to the Investment Committee.

Motion: Upon motion by Lou Walter, seconded by Frank Mathews, the Retirement Board approved the appointment of Jim Fletcher to the Investment Committee as an alternate, giving him authority to vote in the absence of either Lou Walter or Frank Mathews.

Mel reviewed a list of troublesome securities and their potential effect on the System. The Board discussed the information presented by Mel.

Executive Director Report:

The following summarizes the Executive Director's monthly report to the Board:

Norm said he is working with Maureen Madion in the Law Department on a draft of a policy on Board member education and training. He said he plans to have a draft available for review at the next Board meeting.

The transition of actuarial services from Milliman USA to the new actuarial firm, Buck Consultants, has begun. The new contract commenced on July 1, 2002, and Flick Fornia from Buck met with Norm and Mel on June 13, 2002 to discuss and plan the transition. After the Board decision to switch firms, Norm went to Milliman's office and explained to Karen Steffen and Nick Collier the reasons for the change.

The Deloitte & Touche firm has finished their 2001 audit, and they have found no problems or "conditions" to report. They will attend the August Board meeting to provide their report to the Board.

Mel has compiled the Retirement System's 2001 Annual Report and has delivered it to the printer.

Old Business:

(1) Status of Benefit Enhancements

Norm informed the Board that the estimated current funding level of the Retirement Fund is 84.27% as of May 31, 2002. The Board then briefly discussed the retirees' request to double the 13th check this year. To assist in further discussions, the Board requested draft legislation be prepared for review at the August 1, 2002 Board meeting.

New Business:

(1) Disability Retirement Application for David Peterson.

Information: The Disability Committee recommended the Board approve the disability retirement application.

Motion: Upon motion by Lou Walter, seconded by Mary Norris, the Retirement Board approved the disability retirement application for David Peterson.

(2) 2003-04 Budget Submittal.

Mel reviewed the budget submittal with the Board and answered questions about various line items.

Motion: Upon motion by Lou Walter, seconded by Jan Drago, the Retirement Board approved the 2003-04 budget submittal.

Adjournment

Upon motion by Lou Walter, seconded by Jan Drago, the Retirement Board voted to adjourn the meeting at 10:52 a.m.

Norma McKinney, Secretary